



DEPARTMENT OF DEFENSE  
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May 21, 1998

MEMORANDUM FOR OSD & WHS INFORMATION TECHNOLOGY MANAGERS

SUBJECT: Guidance for Mid-Year Review and Program Execution

The purpose of this memo is to update previous guidance for mid-year reviews conducted annually by the consortium at the third quarter ITM meetings. It replaces DIOR Budget Bulletin dated March 19, 1997.

The focus of the reviews will be on assessing the status of unexecuted programs and making any necessary funding adjustments or reallocations to meet high priorities. Not all programs will be reviewed. The consortium will look at only those for which resources remain uncommitted for longer than financial guidelines deem appropriate, as is more fully described in the attached guidance. Also, unfunded mission essential requirements will be presented, validated, and prioritized by the ITMs to prepare for allocation of funds that may later become available.

In an environment of limited resources, it is imperative that every effort be made to ensure an executable information technology program by planning ahead, maximizing the use of resources, and minimizing vulnerability to budget reductions. As laws such as the Information Technology Management Reform Act of 1996 and the Government Performance and Results Act of 1993 are implemented, information technology programs are undergoing a more rigorous and in-depth review of the overall business strategy for program approval and execution.

The mid-year review is not intended to revisit the results of prior budget meetings but to facilitate the efficient execution of programs and provide the credibility necessary to support and defend our current resources and requests for additional funds. Separate from this guidance, you will receive an annual memorandum several weeks prior to the third quarter ITM meeting, detailing the programs and resources to be reviewed by the consortium at the meeting. If you have any questions concerning the process, please contact Ms. Pam Wilke on (703) 604-1500.

signed  
Robert S. Drake  
Director

Attachment:  
As stated

## **GUIDANCE FOR MID-YEAR REVIEW AND PROGRAM EXECUTION**

### **OPERATIONS AND MAINTENANCE (O&M) APPROPRIATION**

**General Obligation Guidance.** Eighty percent of funds need to be obligated by the end of the third quarter, not just committed. The O&M appropriations act states that not more than 20 percent of funds will be obligated in the fourth quarter of the fiscal year in which the funds are appropriated. Additionally, waiting too long to execute funds causes undue attention to our budget as it contributes to the appearance of engaging in “end of the year spending” when in fact the requirements have been planned for a long time. Eighty percent of all O&M funds must be committed early enough for contracting and other actions to be completed and obligations recorded in the WHS Budget and Finance (B&F) accounting system prior to July 1.

All requests for annual recurring requirements and other known one-time expenditures should be processed as early as possible. Defense Supply Service - Washington issues guidance each spring on cutoff dates for processing requirements for recurring services that start on October 1 of the upcoming fiscal year. Commitment documents with accurate and complete supporting attachments for the remaining recurring requirements that start after October 1 should be processed as soon as sufficient information is available to prepare the request. For example, if a contract for facilities management expires in August or September the commitment document and attachments required to obtain continued support can be submitted to Systems and Services (S&S) as early as the prior October. SD Forms 562 with complete and accurate documentation appropriate for each request should be submitted to S&S as soon as possible after the beginning of the fiscal year. The actions will be processed upon receipt of sufficient obligation authority. This will help ensure compliance with the 80/20 percent obligation law as well as permit continued support without a break in service.

**Mid-year Review.** ITMs with uncommitted balances of more than 50 percent of their annual funding at the end of March will be asked to submit plans (to be reviewed at the third quarter meeting) for executing those funds by the end of July or identifying excess funds available for reprogramming. Unless a specific spending plan has been provided, uncommitted funds as of the first working day in August will be centralized and redistributed to approved unfunded requirements. S&S will retain a small reserve for unforeseen emergency requirements until the third week of September.

Information on mission essential unfunded requirements will be requested for the mid-year review. These requirements must be accurately costed and will be validated, prioritized, and if possible, funded at the mid-year review. This information will be used to justify a request to WHS (B&F) for additional current year funds if total requirements exceed available funds. SD Form 562 documents and required supporting attachments (e.g., Statement of Work, Justification and Approval, etc.) for the top priority unfunded requirements must be submitted to S&S by the end of May. When funds are available, the requirements will be processed immediately in the priority order established at the mid-year review, taking into consideration the amount of available funds, procurement lead time requirements and cutoff dates at the time additional funds are identified. If S&S has not received the SD Form 562 with appropriate supporting attachments,

the next fully documented request on the prioritized list will be funded. Unfunded high-priority requirements that arise after the mid-year review will be handled in consultation with the ITM consortium on a case-by-case basis.

## **PROCUREMENT APPROPRIATION**

**General Obligation Guidance.** Comptroller policy for the Procurement Appropriation is that 90 percent of funds should be obligated in the first year of the appropriation. This means that Procurement funds should only be requested for projects that will be executed in the first year of the appropriation. If funds are left uncommitted until the second or third year, those projects are incorrectly funded with that year's appropriation which subjects the budget to close scrutiny and places OSD information technology funds in jeopardy.

**Mid-year Review.** For clarity, the three years of Procurement Appropriations available for execution will be referred to as *current year*, *prior year*, and *expiring year*. The Procurement review will be similar to the O&M review. For the *expiring year*, all uncommitted project balances as of the end of March will be reviewed. If no definitive spending plan to obligate the funds by May is provided, the funds will be proposed for withdrawal and reallocation. The goal for *prior year* is to have all funds committed by May also. If *prior year* funds cannot be committed by May, ITMs should submit an explanation and anticipated commitment date to the consortium. ITMs should submit spending plans for review for all projects with *Current year* funds that are less than 50 percent obligated.

ITMs will be asked to identify any excess funds available for reprogramming, and submit unfunded requirements for the consortium's review, approval, and prioritization. To facilitate the validation and prioritization process, projects must be mission essential and cost estimates must be accurate and not inflated in anticipation of reduced funding. If necessary, the unfunded requirements will be used to request additional funds from WHS (B&F).

SD Forms 562, with all required supporting documents (e.g., Statement of Work, Justification and Approval, etc.) for the top priority unfunded requirements, must be submitted to S&S by the end of June. When funds are available, the requirements will be processed immediately in the priority order established at the mid-year review, taking into consideration the amount of available funds, procurement lead time requirements, and cutoff dates at the time additional funds are identified. If S&S has not received the SD Form 562 with appropriate supporting attachments, the next fully documented request on the prioritized list will be funded. Unfunded high-priority requirements that arise after the mid-year review will be handled in consultation with the ITM consortium on a case-by-case basis.